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C O N F I D E N T I A L SECTION 01 OF 02 HARARE 002093

SIPDIS

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E.O. 12958: DECL: 10/21/2013

TAGS: [PGOV](#) [ECON](#) [PTER](#) [Z1](#)

SUBJECT: PARLIAMENT PASSES RESTRICTIVE FINANCIAL LEGISLATION

REF: STATE 205634

Classified By: POLITICAL OFFICER KIMBERLY JEMISON FOR REASONS 1.5 B/D

SUMMARY

[1](#)1. (SBU) Parliament recently imposed strict restrictions on people and institutions, access to cash. The statutory instrument is the Government's answer to the biting cash shortage but only stifles the ability of the country to conduct day-to-day transactions by criminalizing holding the equivalent of \$880 (for institutions) and \$350 (for individuals) in cash. END SUMMARY

PARLIAMENT PASSES RESTRICTIVE MONEY LAWS

[1](#)2. (U) Parliament recently passed Statutory Instrument 171 and its amendments SI 187 and 198 Presidential Powers (Temporary Measures)(Promotion of Banking Transactions) Regulations, 2003, controversial legislation that directs the operations of financial institutions. The SIs codify GOZ declarations in August 2003 that restricted the amount of cash people and business could hold and regulated approved financial transactions by traders, financial institutions, parastatals, and money lenders.

[1](#)3. (U) Under the new legislation, traders, parastatals, and moneylenders cannot hold cash in surplus to their daily requirements or in excess of 5 million Zimbabwe dollars (\$884 at the current parallel exchange rate). Groups found in contravention of this law are given an opportunity to deposit said funds into an account at a financial institution or otherwise remedy the situation. If the institution fails to comply within seven days, it will be fined up to a maximum of 2.5 million Zimbabwe dollars (\$420).

[1](#)4. (U) The legislation also restricts traders, parastatals, or people other than individuals from withdrawing cash in excess of 4 million Zimbabwe dollars within any 24-hour period. The penalties for contravening this are paying a fine not to exceed Z\$600,000. Similarly, no individual is permitted to withdraw more than 2 million Zimbabwe dollars within a 24-hour period. The penalty for individuals is a fine of either the excess cash in contravention of this law or 1 million Zimbabwe dollars, whichever is greater.

POWERFUL MONITORING UNIT ESTABLISHED

[1](#)5. (U) The regulator of this legislation is the Banking Transactions Promotion Unit, a part of the Reserve Bank. The Governor of the Reserve Bank nominates a cadre of inspectors who are afforded sweeping powers to search, question, and seize materials from financial institutions, traders, or parastatals without a search warrant or requirement to display probable cause.

LEGISLATION PASSED THROUGH THE BACK DOOR

[1](#)6. (U) This new legislation is a product of the Presidential Powers (Temporary) Act, takes immediate effect, and can continue for six months before government is supposed to replace it with a proper Act. Under this Act, the President can make legislation without consulting with Parliament. It can be invoked when Parliament is not in session or if the President deems that a situation has arisen that needs to be dealt with urgently. As with all Statutory Instruments, the Parliamentary Legal Committee, which reviews legislation for constitutionality, can challenge it and then Parliament would be able to review it and deal with its constitutional and public policy implications.

ANTI-MONEY LAUNDERING PORTION DROPPED

[1](#)7. (C) An earlier iteration of this legislation included an anti-money laundering section. We have no indication as yet of whether this anti-money laundering section will reappear

as a separate SI or Bill. The draft legislation addressed some of the concerns identified by the UN Security Council in reference to UNSCR 1373, such as requiring financial institutions and other intermediaries to identify their clients and to report suspicious financial transactions to the relevant authorities and allowing the seizure and detention of suspicious imports or exports of currency if the authorities suspect the currency was derived from the commission of a serious offense or is to be used in commission of a serious offense, but did not specifically use the term terrorism in the text. (See Reftel)

COMMENT

17. (C) This new fast-tracked legislation (it passed in 3 weeks time) is another example of the GOZ treating the symptoms and not root causes. Restricting people,s access to cash not only limits the rights and enjoyment of property but it does nothing to alter the economic conditions that caused the shortage of cash. As with many other laws here, we expect this one will be ignored widely and enforced selectively against institutions or individuals deemed to be aligned with the opposition or in competition with businesses associated with ruling party principals. END COMMENT.
SULLIVAN